

INCOMING TELEGRAM

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Department of State

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Action

Control: 23407
Rec'd: SEPTEMBER 29, 1962
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FROM: BELGRADE

Info

TO: Secretary of State

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NO: 451, SEPTEMBER 29.

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POLICY

FOLLOWING IS TEXT TANJUG SUMMARIES EDITORIALS APPEARING
THE TWO LEADING BELGRADE PAPERS THIS MORNING SEPTEMBER 29:

POLITIKA: "STATEMENTS BY PRESIDENT KENNEDY AND SECRETARY STATE
RUSK, MADE IN THE NOT VERY REMOTE PAST, FAVORED PLACING AMERICAN
YUGOSLAV RELATIONS ON SOUND FOUNDATION WITHOUT DISCRIMINATION.
DECISION TAKEN BY THE JOINT CONGRESSIONAL CONFERENCE IS IN-
COMPREHENSIBLE AND UNACCEPTABLE. SUCH AN APPROACH TO INTERNATIONAL
ECONOMIC RELATIONS DOES NOT CONSTITUTE AMERICAN CONTRIBUTION TO
NORMALIZING INTERNATIONAL ECONOMIC AND POLITICAL CONDITIONS. TO
LEGALIZE THESE DISCRIMINATORY MEASURES WOULD MEAN A SERIOUS
DETERIORATION IN RELATIONS BETWEEN THE TWO COUNTRIES, WHOSE TRADE
HAS FOR DECADES BEEN DEVELOPING NORMALLY AND HAS BEEN SPARED THE
ADVERSE EFFECTS OF IDEOLOGICAL EXCLUSIVENESS."

BORBA: "DECISION OF JOINT CONFERENCE HAS CAUSED SURPRISE AMONG
YUGOSLAV PUBLIC. NO FORMULATION ABOUT "COMMUNIST-CONTROLLED"
COUNTRIES CAN HIDE ITS GENUINE MEANING AS AN ACT AIMED AGAINST
YUGOSLAVIA AND FAVORABLE YUGOSLAV-AMERICAN RELATIONS. HISTORICALLY,
LEGALLY, AND PRACTICALLY, THERE IS NO JUSTIFICATION WHATEVER FOR
THIS ACT OF THE AMERICAN CONGRESS. IF NEGLECTS HISTORY AND THIS
MAKES IT UNPRINCIPLED; IT IS UNILATERAL, WHICH MAKES IT ARBITRARY
AND LEGALLY UNJUSTIFIABLE; AND FINALLY, IT IS SHORTSIGHTED AND
HARMFUL. IN A WORD, THIS ACT HAS ALL THE ATTRIBUTES OF ECONOMIC
AND NOT MERELY ECONOMIC-DISCRIMINATION."

KENNAN

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State Department review completed

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Department of State

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Control: 23386
Rec'd: October 1, 1962
5:28 a.m.

FROM: Belgrade

TO: Secretary of State

NO: 450, September 28, 7 p.m.

We would appreciate guidance or comment, as appropriate, on following problems that flow out of joint Senate - House action on Trade Agreement Act reported in Department telegram 331.

(1) We understand from Wireless File that Section 231 of Trade Expansion Act now specifies that "President shall, as soon as practicable, suspend, withdraw" present MFN rates accorded Yugoslavia. Will this be done in the orderly manner called for in paragraph XIV of the still effective 1881 Convention of Commerce and Navigation with Serbia, and thus will present US tariff rates applicable to imports from Yugoslavia remain unaffected until 12 months after USG has formally announced to GOY its intention to terminate this treaty?

(2) USG is signatory to 25 May 1959 declaration on relations between contracting parties whose signatories took as basis for their commercial relations with Yugoslavia objectives of general agreement. On tariffs and trade on basis of congressional action, this declaration entered into force with respect to USG on 19 November 1959 congressional action of MFN matter would appear to be in flat contradiction to propositions contained in this declaration. Several months later in January of '60 USG provided specific financial support to Yugoslav economy reforms. An important element of these reforms was hoped for eventual Yugoslav accession to GATT to which above-mentioned declaration was directed. Within context of foregoing what will be our response now to Yugoslav request for

our support

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-2- 450, September 28, 7 p.m., from Belgrade

our support of its current efforts to seek provisional accession to GATT (see Embassy A-488)?

We would also like to comment on what presumably was press guidance on Senate/House action. Wireless File reports that "staff experts of congressional committee say principal effect would be to raise tariff on zinc sheet imported into US from Yugoslavia". Yugoslavs are likely to regard this as unfortunate down-playing of action to which they attach great importance. According to our estimates, given in Embassy A-24, effects could go far beyond zinc which is item of lesser importance.

KENNAN

SMD/14

NOTE: Message delayed in transmission.

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